

(11A) *P 12E*  
*preserved*  
App. F. IX-4

Previous References

193  
( *bs* )

File No. *11-36*

Serial Nos. *197*

Letter References.

**PRESERVED**

## **GENERAL AND REVENUE SECRETARIAT.**

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Serial Nos.

Part B for

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**SUBJECT.**

*Amendment of the Group Societies Act relating to  
the division and duplication of societies*

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*133 (6)*  
General and Revenue  
Secretariat

*Amendment of b.s. Regulations re  
amalgamation and union of banks*

*2*  
File No. 11 of 1936 [App. F. III-2]

Serial  
No.

Kind reference is invited to Para 3 of the  
Order on Chapter II of report of the Committee  
on Co-operative Statutes that Govt accept the  
recommendation re the duplication and  
division of subjects and will take necessary  
action to give effect to it. Govt letter to the  
Registrar b.s. requesting him to forward a  
draft Amendment on the lines of Section 13  
of the Maorua Act, to give effect to the order.  
Govt is duly grateful

*27/9/37*  
*mm*

*Secy L.S.G.)*

*27.9.37*

*mm*  
*28.9.37*

*Issued*  
*28.9.37*

*Issued D 2798 dated 2-10-37*

Letter No 3164 dated the 26<sup>th</sup> Oct 1937 re  
the receipt of forwarding amendment to  
Section 43 of the Regulations, on the lines  
of Maorua Act

Submitted into references for board. If  
approved, the amendment of Sec 43 will be  
taken up along with other amendments

*3/11/37*  
*WD 0284-GPB-30,003-13-37*  
*Introverted as Section 11 A is*  
*the m-12 bill*

*5.11.37*

*Sub A*  
*6 OCT. 1937*  
*REVENUE SECRETARIAT*  
*DEVELOPMENT BRANCH*

*5 NOV. 1937*  
*5/11/37*

SUBJECT .....

.....

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Section *bs.*  
File No. *11-36*  
Serial No. *R*

Diary No. of letter replied to.....

No. *B 2798*

To *The Registrar of C.*

General and Revenue Secretariat  
( )  
the 193 .

*Sir*

Date of issue.....*2. 10. 37*.....

Signed by.....*M. Subba Rao*.....

I am directed to invite refer  
*para 307*  
to G.O. No D 1113/Cs. 11-36-144 date  
31-7-37 accepting among others,  
the recommendation of the Committee  
on Cooperation in regard to dubbing  
and printing of tickets etc. and  
to request you to kindly forward  
a draft ~~note~~ Amendment to the  
bs. Regulation, in the line of the  
13 of the Mysore Act, in order to give  
effect to the orders of Govt

List of enclosures.....

Copied by.....*21/10*.....

Examined by.....

*bs. etc*  
*2875*  
*Key. R. S. G*  
*27-9-37*

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

Bangalore, Dated, 1st Octr. 1937.

No. 2798/C.S. 11-36-

From

The Secretary to the Government of His Highness the Maharaja of Mysore  
Local-Self Government Department.

To

The Registrar of Co-operative Societies  
in Mysore.

Sir,

I am directed to invite reference to para 3 of Government Order No.D/113/C.S.11-36-144 dated the 31st July 1937 accepting among others the recommendation of the Committee on Co-operation in regard to duplication and division of societies etc., and to request you to kindly forward a draft amendment to the Co-operative Societies Regulation, on the lines of Section 13 of the Madras Act, in order to give effect to the orders of Government.

I have the honour to be,  
Sir,  
Your most obedient servant,

(H) 4  
For Secretary to Government,  
L. S. G. Department.

C.S. 11-36-197.

GOVERNMENT OF MYSORE.

No. 3164 C.S. Encl. 1

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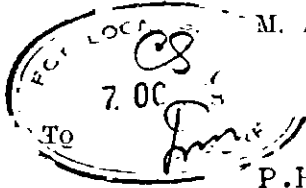
DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES  
IN MYSORE.

Telegraphic Address:  
"CO-OPERT"  
Bangalore

Dated Bangalore,.....26<sup>th</sup> October 1937.

FROM



M. ABDUL HUKH, ESQ., B.A.,

Registrar of Co-operative Societies in Mysore,  
Bangalore.

W  
P.H. Krishna Rao, Esq., M.A.,

Secretary to the Government of Mysore,  
Local Self-Government Departments,  
Bangalore.

Sir,

As desired in your letter No.D.2798/C.S.11-36 dated 2nd October 1937, I have the honour to forward herewith a draft amendment to the Mysore Co-operative Societies' Regulation in respect of the Division of Societies on the lines of - Section 13 of the Madras Act.

I have the honour to be,  
Sir,  
Your most obedient servant,

*M. Abdul Hukh*

Registrar.

L.S.26/10.

*[Signature]*

Draft Amendment to the Mysore Co-operative Societies' Regulation in respect of the Division of Societies.

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Whereas it is expedient further to amend the Mysore Co-operative Societies' Regulation No.VII of 1918, the Government of His Highness the Maharaja are pleased to enact as follows:-

The Heading of Section 43 to be changed as follows:-

AMALGAMATION AND DIVISION.

Section 43. Re-number the existing Section as 43(a)(1)  
(2) (3).

Division.

Section 43(b).(1) Any registered society may, at a meeting of its general body specially called for the purpose of which at least seven clear days' notice shall be given to its members, resolve to divide itself into two or more societies. The resolution (herein-after in this sub-section referred to as the preliminary resolution) shall contain proposals for the division of the assets and liabilities of the society among the new societies into which it is proposed to divide it and may prescribe the area of operations of, and specify the members who will constitute, each of the new societies.

(2)(i) A copy of the preliminary resolution shall be sent to all the members and creditors of the society.

(ii) Any member of the society may, notwithstanding any byelaw to the contrary, by notice given to the society within a period of three months from the receipt of the preliminary resolution, intimate his intention not to become a member of any of the new societies.

(iii) Any creditor of the society may, notwithstanding any agreement to the contrary, by notice given to the society within the said period, intimate his intention to demand a return of the amount due to him.

(3) After the expiry of three months from the receipt of the preliminary resolution by all the members and creditors of

of the society, a meeting of the general body of the society of which at least fifteen clear days notice shall be given to its members, shall be convened for considering the preliminary resolution. If at such meeting, the preliminary resolution is confirmed by a resolution passed by a majority of not less than two-thirds of the members present, either without changes or with such changes as, in the opinion of the Registrar, are not material, he may, subject to the provisions of clause (5) and Section 9 register the new societies and the byelaws thereof. On such registration the registration of the old society shall be deemed to have been cancelled.

The opinion of the Registrar as to whether the changes made in the preliminary resolution are or are not material shall be final and no appeal shall lie therefrom.

(4) At the meeting referred to in clause (3) provision shall be made by another resolution for

(i) the repayment of the share capital of all the members who have given notice under sub-clause (ii) of Clause (2) and

(ii) the satisfaction of the claims of all the creditors who have given notice under Sub-clause (iii) of Clause (2)

Provided that no member or creditor shall be entitled to such repayment or satisfaction until the preliminary resolution is confirmed as provided in Clause (3).

(5) If, within such time as the Registrar considers reasonable, the share capital of the members referred to in clause (4) is not repaid or the claims of the creditors referred to in that clause are not satisfied, the Registrar may refuse to register the new societies.

(6) the registration of the new societies shall be a sufficient conveyance to vest the assets and liabilities of the original society in the new societies in the manner specified in the preliminary resolution as confirmed under clause (3).

Objects and Reasons:- The progress and development of the Co-operative Movement in Mysore has made it necessary to introduce a provision in the Mysore Co-operative Societies' Regulation No.VII of 1918 as amended from time to time for the Division of societies whenever their membership becomes - - unwieldy. The Committee on Co-operation in Mysore, 1936, who examined the progress of the Movement and the Law on Co-operation have recommended the inclusion of such a provision on the lines of Section 13 of the Madras Co-operative Societies' Regulation of 1932 to enable societies to split up into two or more societies when they so desire.

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L.S.26/10.

  
Registrar.  


S. O.

## Government of his highness the Maharaja of Mysore.

### GENERAL AND REVENUE DEPARTMENTS.

G. O. No. D. 1113—C. S. 11-36-144, dated 31st July 1937.

#### Report of the Committee on Co-operation in Mysore.

Passes orders in respect of Primary Credit Societies referred to in Chapter II of the —.

READ—

Chapter II of the Report of the Committee on Co-operation, 1936.

2. Letter No. 5509, dated the 5th January 1937, from the Registrar of Co-operative Societies in Mysore, forwarding his views on the recommendations made in the said chapter.

ORDER NO. D. 1113—C. S. 11-36-144, DATED BANGALORE,  
THE 31ST JULY 1937.

In this Chapter, the Committee have examined the problems of Primary Credit Societies.

2. *Preliminaries to Registration.*—The Committee observe that an unsatisfactory feature of Co-operative Administration in the past has been the formation of Rural Societies without adequate reference to local conditions and wants and have suggested that the formation of a society should always be preceded by due enquiry and that members as well as office-bearers and the staff should receive adequate instruction, regarding the main principles of co-operation and the best way to attain the objects of their Society. Government note that the Registrar has issued a circular drawing the attention of the Inspectors to the need for thorough enquiry with reference to the several points suggested by the Committee before recommending registration of fresh societies. In regard to the second recommendation, certain proposals have been received from the Registrar and are separately under scrutiny.

3. *Areas of Rural Societies and Duplication and Division of Societies.*—In this matter, the Committee observe that membership in Rural Societies should be confined to the inhabitants of a single village, if sufficiently large, or of one village and its hamlets, or of a number of villages within a radius of about three miles in the maidan or five miles in the malnad. As a rule, there should be only one bank or other specific type of society for the same compact area. But where the area is too large to be adequately served by a single institution, separate societies may be permitted to be formed with different jurisdictions. Where there are more societies than one working in the same limited area, either they should be amalgamated or the members should be suitably redistributed. Government accept the principles underlying these observations. The Registrar reports that in practice the recommendations of the Committee are being substantially followed.

The Committee also suggest that provisions as to division of societies on the lines of Section 13 of the Madras Act may be usefully introduced into Mysore. Government accept this suggestion and will take necessary action to give effect to it.

4. *Multiple Membership.*—In regard to multiple membership, the Committee recommend that no member of a credit society with unlimited liability should be admitted into a second similar society until he has withdrawn from membership in the former; and no person should be allowed to pledge his unlimited liability in more societies than one. With a view to limit the present unrestricted freedom to borrow in credit societies generally they recommend a rule being made that no person, being a member of a credit society, except a Land Mortgage Bank or a

No separate  
refer.

No. D. 1113—C. S. 11-36-144, DATED 31ST JULY 1937.

Central Financing Bank or a House Building Society, shall be a member of any other credit society without the general or special sanction of the Registrar and that where a person has become a member of two such credit societies, either or both of the societies, shall be bound to remove him from membership upon a written requisition from the Registrar to that effect.

It has been observed that cases in which persons have become members of more than one unlimited liability society are extremely rare and that the disadvantages of multiple membership have been felt only in limited liability societies particularly in Bangalore and Mysore. The Lallubhai Samaldas Committee of 1923 suggested that no person should be allowed to become a member of more than one society of the same kind. Government accepted the suggestion and the Registrar submitted in May 1932, a draft rule more or less on the lines of the present recommendation. The proposal met with strong opposition from many quarters. It was then proposed to prohibit a member from borrowing from more than one society of the same kind. Apart from the difficulty in enforcing such a rule the proposal involved an anomaly in that it excluded some members from the enjoyment of all the privileges of membership. Government, therefore, requested the Registrar to further consider the matter and submit revised proposals. This was the position when the question came up for examination before the present Committee. One of the objections urged against the proposal is that many influential and experienced persons are members of more than one society of the same kind and that by restricting their membership to one society, the other societies would be deprived of their counsel and financial aid. This objection does not, however, appear to be insuperable as even under the new arrangement proposed it will be open to the Registrar to permit a really useful person to become a member of more than one Co-operative Institution and the Registrar may be trusted to exercise the discretion vested in him properly. In any event a person who is genuinely anxious to help societies with his funds can do so by depositing his money in such societies without becoming a member thereof. Another objection raised against the proposal is that a creditworthy person cannot get the accommodation that he needs and deserves owing to the operation of a bye-law prevailing in some societies that no member is eligible for a loan exceeding twice the share amount paid by him and also to the fact that many urban societies do not allot to a member as many shares as he requires within the statutory limit. In regard to this objection, it is pointed out that a Co-operative Institution is not expected to handle large scale financial operations and that its object is to promote thrift in, and grant accommodation to, persons of moderate means and needs. It is conceded that the bye-law limiting the loan to twice the share capital is illogical, and that the factors that are to determine the limit of a loan should be the repaying capacity of the borrower, his creditworthiness and the financial resources of the society.

The Registrar reports that it has been found that excessive and indiscriminate borrowing cannot always be controlled by members of Committees and that loan applications are often not properly scrutinised with reference to the indebtedness of applicants to other Co-operative Institutions. He is of opinion that the only way of putting a stop to the abuse is to frame a rule as in Madras on the lines recommended by the Committee.

On a careful consideration of all the relevant factors, Government have come to the conclusion that the balance of advantage lies in accepting the recommendations of the Committee. At the same time, they direct that steps be taken as early as possible to remove the provision said to be found in the bye-laws of some societies restricting the loan granted to a member to twice the share capital paid up by him.

5. *Removal from Membership.*—The Committee observe that arrears should not ordinarily be allowed for more than six months and recommend that a rule may be framed by Government to the effect that whenever it becomes necessary to take coercive steps against a member for default, he should, unless he at once makes full payment, be removed from membership. The Registrar thinks that if such a rule is enforced, there will be great reduction in membership of societies and many of them would have to be cancelled. He reports that in actual practice when coercive steps are taken against members in default, their share amounts are adjusted

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Secretary

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towards their dues and they are dismembered, an exception however being made in the case of members of societies indebted to the Central Financing Banks, in which case, at least one share of each member is retained with a view to enforce compulsory liability should such societies go into liquidation. Government consider that the practice of the department as explained above, if strictly enforced in all cases, would substantially secure the object in view and bring home to defaulting members the importance of meeting their obligations promptly.

6. *Disqualification of Defaulters*.—The Committee have recommended that a general rule be made by Government declaring that defaulters are ineligible to vote at meetings and to serve on Committees and giving power to the Registrar to exempt rural societies from the operation of such a rule. Government have accepted this recommendation and called for draft rules to be issued under Section 44 (2) (i) of the Regulation.

7. *Exclusion of political and religious activities*.—Government agree with the Committee in the view that discussion or propagation of controversial opinions of a political or religious character should be altogether excluded from the activities of the co-operative movement and that the Registrar should be empowered by rule to rescind any resolution or action which may contravene this principle.

8. *Liability of Members; Powers and Responsibilities of Committees; Period of office of Committee Members; and of Service of a Member on Several Committees*.—

The Committee state that unlimited liability is best adapted for small village societies which do not require much capital and in which membership is restricted to a small area and that in non-agricultural societies, liability should, as a general principle, be limited. In special cases, where members are prepared to take adequate reserve liability on their shares, an agricultural credit society may be permitted to be formed on a limited liability basis. They observe that it is important that the Committee of Management should not be placed beyond the control of the general body. It is necessary, on the one hand, to affirm and safeguard the position of the general body as the supreme authority in all matters affecting the administration of the society, and, on the other, to see that adequate powers of executive management are delegated to the Committee. The allocation of functions in the bye-laws should be quite clear and definite in these respects. The Bye-laws of societies should provide for the compulsory retirement by rotation of a certain proportion of Committee members every year, and their replacement by new members. An exception to this may be allowed in the case of societies where facilities for change do not obtain. They hold also that no person should ordinarily be eligible to serve simultaneously on the committees of more than one society of the same type without the sanction of the Registrar.

9. *Qualifications of Members; Remuneration of Office bearers and Bonus to Secretaries*.—The Committee recommend that it is inexpedient to lay down as a necessary qualification for a seat on the Committee the possession of a certain number of the society's shares. In all agricultural and in the smaller non-agricultural societies, the Chairman and the Members of the Managing Committee should serve without remuneration. In other institutions where the work is complicated and heavy and requires much time on the part of one or more members, a moderate honorarium may be paid. They state also that some reasonable compensation by way of bonus will usually have to be paid to the Secretary and that the limit may be fixed at 15 per cent with a maximum of Rs. 300. Where no clerical assistance is given to the Secretary, an additional 5 per cent may, they recommend, be allowed. The recommendations are accepted, and in regard to bonuses to Secretaries, orders have been issued in conformity with the recommendations.

Accepted  
1.2.36  
M.C. 1937  
Secretary  
to the  
Registrar

Accepted  
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M.C. 1937  
Secretary  
to the  
Registrar

No. D. 1113—C. S. 11-36-144, DATED 31ST JULY.1937.

10. *Limit of Membership in Urban Banks.*—A majority of the Committee recommend that where the membership of an Urban Bank exceeds a general limit of 1,500 (or, with the special permission of the Registrar, 2,000) further admissions must be stopped, the needs of new applicants being served by the formation of an additional bank, and the sphere of operations of the two institutions defined so as to avoid overlapping. This is one of the few subjects on which the Committee are not unanimous. Government generally agree to the principle underlying the recommendation of the majority of the Committee. They feel, however, that it would be difficult to place a numerical limit on the expansion of Urban Societies where they serve a compact area. While therefore, they are not in favour of fixing such a limit they think it necessary that the Registrar should be empowered to stop further admissions to any particular institution where the membership becomes unwieldy and to direct the formation of an additional institution for the area. Action will be taken to frame rules empowering him in this behalf.

11. *Societies for Depressed Classes.*—Regarding the working of these societies, the Committee observe that Special Adikarnataka Societies should only be continued in respect of specific trades like shoe-making and weaving or where Adikarnatakas cannot get admission freely to the general societies. Adikarnataka Societies, as long as they are continued, require special help in the shape of a paid Secretary, and of loans at low rates of interest and also provision for subsidiary occupations for the members. Government note these observations and agree that these societies so long as they continue require special help. The question of improving their working may be further examined by the Registrar.

12. *Societies for Salary Earners.*—The Committee suggest that in these societies subscriptions to Provident Funds may be made compulsory but it has been represented to Government that there are practical difficulties in giving effect to this suggestion. The matter may be further examined by the Registrar.

13. *Societies for Government Servants.*—As stated above, Government accept the proposal that multiple membership should be discouraged. A scheme for developing departmental societies with a view to discourage borrowing from other sources is proposed to be tentatively tried in the Department of Co-operation. The question of further extension of the scheme may be considered after some experience has been gained of the working of such societies.

14. *Other Recommendations.*—With regard to the formation and development of other special type of societies, e.g., Women's Societies, Grain Banks and Communal Societies, Government have no doubt that the Officers of the Department will bear in mind the observations of the Committee which are fully borne out by past experience.

P. H. KRISHNA RAO,  
Secretary to Government,  
Local Self-Government Department..

To—The Registrar of Co-operative Societies in Mysore.

Exd.—C. K.